

INITIATIVE 717

I, Ralph Munro, Secretary of State of the State of Washington and custodian of its seal, hereby certify that, according to the records on file in my office, the attached copy of Initiative Measure No. 717 to the People is a true and correct copy as it was received in our office.

1 AN ACT Relating to property tax reform and relief; amending RCW
2 43.135.045, 84.55.050, 84.55.010, 84.52.067, 84.38.010, and 84.38.050;
3 reenacting and amending RCW 43.84.092 and 84.55.005; adding a new
4 section to chapter 84.55 RCW; adding a new section to chapter 84.38
5 RCW; creating new sections; and repealing RCW 84.55.0101.

6 BE IT ENACTED BY THE PEOPLE OF THE STATE OF WASHINGTON:

7 **PART I**
8 **SHORT TITLE**

9 NEW SECTION. **Sec. 101.** This act may be known and cited as the
10 property tax reform and relief act.

11 **PART II**
12 **INTENT**

13 NEW SECTION. **Sec. 201.** (1) The people of the state of Washington
14 find and declare that:

1 (a) The rising property tax burden places undue financial pressures
2 on working families and prevents some citizens from attaining the
3 American dream of homeownership.

4 (b) Our state currently has over one billion dollars of excess tax
5 revenues that have been collected from the people and should be
6 returned to the people without jeopardizing funds necessary for
7 emergencies.

8 (c) Many local jurisdictions have ignored the people's will in
9 Referendum 47 and have increased the property tax burden well above the
10 rate of inflation.

11 (d) Large increases in taxes on residential property, usually
12 attributable to rapid increases in property values, cause undue and
13 excessive hardships for many homeowners. These increased tax burdens
14 put many homeowners at risk of being unable to remain in their
15 residences and maintain their property. Temporary financial hardships,
16 such as unemployment or medical costs, may leave some homeowners with
17 insufficient resources to pay property tax bills.

18 (2) It is therefore the intent of the people to:

19 (a) Provide immediate relief from the state portion of the property
20 tax and then, after ensuring a fiscally sound reserve, use all surplus
21 state revenues to fully eliminate the state property tax levy over
22 time;

23 (b) Require voter approval for all regular property tax increases
24 that exceed the rate of inflation; and

25 (c) Create a property tax deferral program that allows taxpayers
26 with financial hardships to defer property taxes due in order to remain
27 in their homes while still paying an equitable share of the overall
28 property tax burden.

29 PART III

30 ADDITIONAL PERMANENT STATE LEVY REDUCTION

31 NEW SECTION. **Sec. 301.** A new section is added to chapter 84.55
32 RCW to read as follows:

33 In addition to the reductions in RCW 84.55.012 and 84.55.0121, the
34 state property tax levy for collection in 2001 shall be reduced by 15.0
35 percent of the levy amount that would otherwise be allowed under this
36 chapter without regard to this section.

PART IV

USING SURPLUSES TO PHASE OUT THE STATE PROPERTY TAX LEVY

Sec. 401. RCW 43.135.045 and 1994 c 2 s 3 are each amended to read as follows:

(1) The emergency reserve fund ~~((is))~~, the property tax reduction fund, and the education construction fund are established in the state treasury. ~~((During))~~

(2)(a) On July 1st of each ~~((fiscal))~~ year, the state treasurer shall ~~((deposit in))~~ transfer to the emergency reserve fund ~~((all general fund--state revenues))~~ any unobligated fund balance in excess of ~~((the))~~ general fund--state expenditures ~~((limit))~~ for ~~((that))~~ the immediately preceding fiscal year. ~~((Deposits shall be made at the end of each fiscal quarter based on projections of state revenues and the state expenditure limit.~~

~~((2))~~ (b) The legislature may appropriate moneys from the emergency reserve fund only with approval of at least two-thirds of the members of each house of the legislature, and then only if the appropriation does not cause total expenditures to exceed the state expenditure limit under this chapter.

~~((3))~~ (c) The emergency reserve fund balance shall not exceed five percent of biennial general fund--state ~~((revenues as projected by the official state revenue forecast))~~ expenditures made during the immediately preceding fiscal year. Any balance in excess of five percent shall be transferred ~~((on a quarterly basis))~~ by the state treasurer to the ~~((education construction fund hereby created in the treasury))~~ property tax reduction fund.

(3)(a) Moneys transferred into the property tax reduction fund are subject in the next fiscal year to transfer to the general fund for purposes of reducing the state property tax levy.

(b) The budget document submitted to the legislature by the governor under RCW 43.88.030 shall include a transfer to the general fund equivalent to the amounts deposited in the property tax reduction fund. These amounts are to be used solely for the purpose of reducing the state property tax levy.

(c) Moneys transferred to the general fund under (b) of this subsection shall be credited against the levy under RCW 84.52.065 for collection in the calendar year following the fiscal year in which the transfer is made.

1 (d) The property tax reduction fund may not exceed the amount of
2 tax that would otherwise be levied by the state under RCW 84.52.065 in
3 the second calendar year following the end of the fiscal year. Any
4 balance in excess of that necessary to reduce the state levy under this
5 subsection shall be transferred by the state treasurer to the education
6 construction fund.

7 (4)(a) (~~(Funds)~~) Moneys transferred to the education construction
8 fund may be appropriated (~~((from the education construction fund))~~)
9 exclusively for common school construction or higher education
10 construction.

11 (b) (~~(Funds)~~) Moneys transferred to the education construction fund
12 may be appropriated for any other purpose only if approved by a two-
13 thirds vote of each house of the legislature and if approved by a vote
14 of the people at the next general election. An appropriation approved
15 by the people under this subsection shall result in an adjustment to
16 the state expenditure limit only for the fiscal period for which the
17 appropriation is made and shall not affect any subsequent fiscal
18 period.

19 **Sec. 402.** RCW 43.84.092 and 1999 c 380 s 9, 1999 c 309 s 929, 1999
20 c 268 s 5, and 1999 c 94 s 4 are each reenacted and amended to read as
21 follows:

22 (1) All earnings of investments of surplus balances in the state
23 treasury shall be deposited to the treasury income account, which
24 account is hereby established in the state treasury.

25 (2) The treasury income account shall be utilized to pay or receive
26 funds associated with federal programs as required by the federal cash
27 management improvement act of 1990. The treasury income account is
28 subject in all respects to chapter 43.88 RCW, but no appropriation is
29 required for refunds or allocations of interest earnings required by
30 the cash management improvement act. Refunds of interest to the
31 federal treasury required under the cash management improvement act
32 fall under RCW 43.88.180 and shall not require appropriation. The
33 office of financial management shall determine the amounts due to or
34 from the federal government pursuant to the cash management improvement
35 act. The office of financial management may direct transfers of funds
36 between accounts as deemed necessary to implement the provisions of the
37 cash management improvement act, and this subsection. Refunds or

1 allocations shall occur prior to the distributions of earnings set
2 forth in subsection (4) of this section.

3 (3) Except for the provisions of RCW 43.84.160, the treasury income
4 account may be utilized for the payment of purchased banking services
5 on behalf of treasury funds including, but not limited to, depository,
6 safekeeping, and disbursement functions for the state treasury and
7 affected state agencies. The treasury income account is subject in all
8 respects to chapter 43.88 RCW, but no appropriation is required for
9 payments to financial institutions. Payments shall occur prior to
10 distribution of earnings set forth in subsection (4) of this section.

11 (4) Monthly, the state treasurer shall distribute the earnings
12 credited to the treasury income account. The state treasurer shall
13 credit the general fund with all the earnings credited to the treasury
14 income account except:

15 (a) The following accounts and funds shall receive their
16 proportionate share of earnings based upon each account's and fund's
17 average daily balance for the period: The capitol building
18 construction account, the Cedar River channel construction and
19 operation account, the Central Washington University capital projects
20 account, the charitable, educational, penal and reformatory
21 institutions account, the common school construction fund, the county
22 criminal justice assistance account, the county sales and use tax
23 equalization account, the data processing building construction
24 account, the deferred compensation administrative account, the deferred
25 compensation principal account, the department of retirement systems
26 expense account, the drinking water assistance account, the Eastern
27 Washington University capital projects account, the education
28 construction fund, the emergency reserve fund, the federal forest
29 revolving account, the health services account, the public health
30 services account, the health system capacity account, the personal
31 health services account, the state higher education construction
32 account, the higher education construction account, the highway
33 infrastructure account, the industrial insurance premium refund
34 account, the judges' retirement account, the judicial retirement
35 administrative account, the judicial retirement principal account, the
36 local leasehold excise tax account, the local real estate excise tax
37 account, the local sales and use tax account, the medical aid account,
38 the mobile home park relocation fund, the municipal criminal justice
39 assistance account, the municipal sales and use tax equalization

1 account, the natural resources deposit account, the perpetual
2 surveillance and maintenance account, the property tax reduction fund,
3 the public employees' retirement system plan 1 account, the public
4 employees' retirement system plan 2 account, the Puyallup tribal
5 settlement account, the resource management cost account, the site
6 closure account, the special wildlife account, the state employees'
7 insurance account, the state employees' insurance reserve account, the
8 state investment board expense account, the state investment board
9 commingled trust fund accounts, the supplemental pension account, the
10 teachers' retirement system plan 1 account, the teachers' retirement
11 system combined plan 2 and plan 3 account, the tobacco prevention and
12 control account, the tobacco settlement account, the transportation
13 infrastructure account, the tuition recovery trust fund, the University
14 of Washington bond retirement fund, the University of Washington
15 building account, the volunteer fire fighters' and reserve officers'
16 relief and pension principal ((account)) fund, the volunteer fire
17 fighters' ~~((relief and pension administrative account))~~ and reserve
18 officers' administrative fund, the Washington judicial retirement
19 system account, the Washington law enforcement officers' and fire
20 fighters' system plan 1 retirement account, the Washington law
21 enforcement officers' and fire fighters' system plan 2 retirement
22 account, the Washington school employees' retirement system combined
23 plan 2 and 3 account, the Washington state patrol retirement account,
24 the Washington State University building account, the Washington State
25 University bond retirement fund, the water pollution control revolving
26 fund, and the Western Washington University capital projects account.
27 Earnings derived from investing balances of the agricultural permanent
28 fund, the normal school permanent fund, the permanent common school
29 fund, the scientific permanent fund, and the state university permanent
30 fund shall be allocated to their respective beneficiary accounts. All
31 earnings to be distributed under this subsection (4)(a) shall first be
32 reduced by the allocation to the state treasurer's service fund
33 pursuant to RCW 43.08.190.

34 (b) The following accounts and funds shall receive eighty percent
35 of their proportionate share of earnings based upon each account's or
36 fund's average daily balance for the period: The aeronautics account,
37 the aircraft search and rescue account, the county arterial
38 preservation account, the department of licensing services account, the
39 essential rail assistance account, the ferry bond retirement fund, the

1 grade crossing protective fund, the high capacity transportation
2 account, the highway bond retirement fund, the highway safety account,
3 the motor vehicle fund, the motorcycle safety education account, the
4 pilotage account, the public transportation systems account, the Puget
5 Sound capital construction account, the Puget Sound ferry operations
6 account, the recreational vehicle account, the rural arterial trust
7 account, the safety and education account, the special category C
8 account, the state patrol highway account, the transportation equipment
9 fund, the transportation fund, the transportation improvement account,
10 the transportation improvement board bond retirement account, and the
11 urban arterial trust account.

12 (5) In conformance with Article II, section 37 of the state
13 Constitution, no treasury accounts or funds shall be allocated earnings
14 without the specific affirmative directive of this section.

15 PART V

16 STRENGTHENING PROPERTY TAX GROWTH RESTRICTIONS

17 **Sec. 501.** RCW 84.55.005 and 1997 c 393 s 20 and 1997 c 3 s 201 are
18 each reenacted and amended to read as follows:

19 As used in this chapter:

20 (1) "Inflation" means the percentage change in the implicit price
21 deflator for personal consumption expenditures for the United States as
22 published for the most recent twelve-month period by the bureau of
23 economic analysis of the federal department of commerce in September of
24 the year before the taxes are payable;

25 (2) "Limit factor" means:

26 (a) (~~For taxing districts with a population of less than ten~~
27 ~~thousand in the calendar year prior to the assessment year, one hundred~~
28 ~~six percent;~~) For the state, one hundred percent.

29 (b) (~~For taxing districts for which a limit factor is authorized~~
30 ~~under RCW 84.55.0101, the lesser of the limit factor authorized under~~
31 ~~that section or one hundred six percent;~~

32 ~~(c)) For all ((other)) districts((, the lesser of one hundred six~~
33 ~~percent or)) other than the state, one hundred percent plus inflation;
34 and~~

35 (3) "Regular property taxes" has the meaning given it in RCW
36 84.04.140.

1 **Sec. 502.** RCW 84.55.050 and 1989 c 287 s 1 are each amended to
2 read as follows:

3 (1) Subject to any otherwise applicable statutory dollar rate
4 limitations, regular property taxes may be levied by or for a taxing
5 district other than the state in an amount exceeding the limitations
6 provided for in this chapter if such levy is authorized by a
7 proposition approved by a majority of the voters of the taxing district
8 voting on the proposition at a general election held within the
9 district or at a special election within the taxing district called by
10 the district for the purpose of submitting such proposition to the
11 voters. Any election held pursuant to this section shall be held not
12 more than twelve months prior to the date on which the proposed levy is
13 to be made. The ballot of the proposition shall state the dollar rate
14 proposed and shall clearly state (~~(any conditions which are applicable~~
15 ~~under subsection (3) of this section)~~) the purpose or purposes of the
16 levy.

17 (2) After a levy authorized pursuant to this section is made, the
18 dollar amount of such levy shall be used for the purpose of computing
19 the limitations for subsequent levies provided for in this chapter,
20 except as provided in subsection (~~((4))~~) (3) of this section. A levy
21 authorized pursuant to this section may not exceed a period of three
22 years. Once a levy is authorized under this section for a one-year
23 through three-year period, no additional tax levies for that period may
24 be authorized.

25 (3) (~~(A proposition placed before the voters under this section~~
26 ~~may:~~

27 ~~(a) Limit the period for which the increased levy is to be made;~~
28 ~~(b) Limit the purpose for which the increased levy is to be made,~~
29 ~~but if the limited purpose includes making redemption payments on~~
30 ~~bonds, the period for which the increased levies are made shall not~~
31 ~~exceed nine years;~~

32 ~~(c) Set the levy at a rate less than the maximum rate allowed for~~
33 ~~the district; or~~

34 ~~(d) Include any combination of the conditions in this subsection.~~

35 ~~((4))~~ After the expiration of (~~(a limited)~~) the period (~~(or the~~
36 ~~satisfaction of a limited purpose, whichever comes first,)~~) of the levy
37 authorized pursuant to this section, subsequent levies shall be
38 computed as if:

(a) The ~~((limited))~~ proposition under subsection ~~((+3))~~ (1) of this section had not been approved; and

(b) The taxing district had made levies at the maximum rates which would otherwise have been allowed under this chapter during the years levies were made under the ~~((limited))~~ proposition.

Sec. 503. RCW 84.55.010 and 1997 c 3 s 202 are each amended to read as follows:

(1) Except as provided in this chapter, the levy for a taxing district other than the state in any year shall be set so that the regular property taxes payable in the following year shall not exceed the limit factor multiplied by the amount of regular property taxes lawfully levied for such district in the highest of the three most recent years in which such taxes were levied for such district plus an additional dollar amount calculated by multiplying the increase in assessed value in that district resulting from new construction, improvements to property, and any increase in the assessed value of state-assessed property by the regular property tax levy rate of that district for the preceding year.

(2) Except as provided in this chapter, the levy for the state in any year shall be set so that:

(a) The regular property taxes payable in the following year shall not exceed the limit factor multiplied by the amount of regular property taxes lawfully levied for the state in the immediately preceding year, plus

(b) An additional dollar amount calculated by multiplying the increase in assessed value in the state resulting from new construction, improvements to property, and any increase in the assessed value of state-assessed property by the regular property tax levy rate of the state for the preceding year.

Sec. 504. RCW 84.52.067 and 1967 ex.s. c 133 s 2 are each amended to read as follows:

(1) Except as provided in subsection (2) of this section, all property taxes levied by the state for the support of common schools shall be paid into the general fund of the state treasury as provided in RCW 84.56.280.

(2) The levy amount provided for in RCW 84.55.010(2)(b) shall be paid into the education construction fund.

1 increased property values, and the failure of pension systems to
2 adequately reflect such factors. It is therefore deemed necessary that
3 the legislature, in addition to that tax exemption as provided for in
4 RCW 84.36.381 through 84.36.389 as now or hereafter amended, allow
5 retired persons to defer payment of special assessments on their
6 residences, and to defer their real property tax obligations on their
7 residences, an amount of up to eighty percent of their equity in said
8 property. ((This deferral program)) The deferral provided under RCW
9 84.38.030 is intended to assist retired persons in maintaining their
10 dignity and a reasonable standard of living by residing in their own
11 homes, providing for their own needs, and managing their own affairs
12 without requiring assistance from public welfare programs.

13 **Sec. 603.** RCW 84.38.050 and 1979 ex.s. c 214 s 8 are each amended
14 to read as follows:

15 (1)(a) Declarations to defer property taxes for all years following
16 the first year under RCW 84.38.030 may be made by filing with the
17 county assessor no later than thirty days before the tax is due a
18 renewal form in duplicate, prescribed by the department of revenue and
19 supplied by the county assessor, which affirms the continued
20 eligibility of the claimant.

21 (b) In January of each year, the county assessor shall send to each
22 claimant who has been granted deferral of ad valorem taxes for the
23 previous year under RCW 84.38.030 renewal forms and notice to renew.

24 (2) Declarations to defer special assessments shall be made by
25 filing with the assessor no later than thirty days before the special
26 assessment is due on a form to be prescribed by the department of
27 revenue and supplied by the county assessor. Upon approval, the full
28 amount of special assessments upon such claimant's residence shall be
29 deferred but not to exceed an amount equal to eighty percent of the
30 claimant's equity value in said property.

31 **PART VII**
32 **MISCELLANEOUS**

33 NEW SECTION. **Sec. 701.** If any provision of this act or its
34 application to any person or circumstance is held invalid, the
35 remainder of the act or the application of the provision to other
36 persons or circumstances is not affected.

1 NEW SECTION. **Sec. 702.** Part headings used in this act are not any
2 part of the law.

3 NEW SECTION. **Sec. 703.** This act applies to taxes levied for
4 collection in 2001 and thereafter.

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